



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
ACTING AUDITOR-CONTROLLER

April 2, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Acting Auditor-Controller

SUBJECT: **HAVEN HOUSE, INC. – A DEPARTMENT OF PUBLIC SOCIAL
SERVICES COMMUNITY SERVICES BLOCK GRANT PROGRAM
PROVIDER**

We have conducted a program, fiscal and administrative contract review of Haven House, Inc. (Haven House or Agency), a Department of Public Social Services (DPSS) Community Services Block Grant (CSBG) Program provider.

Background

DPSS contracts with Haven House, a private non-profit organization, to provide and operate the CSBG Program. The CSBG Program promotes the principles of self-help and assists low-income families and individuals to become self-sufficient. Haven House operates a Domestic Violence Emergency Shelter. The services provided at the shelter include emergency shelter, food, nutrition and group and individual counseling to battered women and their children living at the shelter. Haven House is located in the Fifth District.

Haven House was compensated on a cost reimbursement basis and had a contract for \$39,523 for calendar year 2007.

"To Enrich Lives Through Effective and Caring Service"

Purpose/Methodology

The purpose of the review was to determine whether Haven House complied with its contract terms and appropriately accounted for and spent CSBG funds in providing the services outlined in their County contract. We also evaluated the adequacy of Haven House's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency staff.

Results of Review

All the participants sampled met the eligibility requirements for the CSBG Program. In addition, the Agency provided the services identified in the County contract. However, Haven House did not always comply with the County contract. For example, Haven House:

- Did not maintain adequate segregation of duties over cash handling procedures. The Agency did not obtain two signatures on five checks issued as required by the County contract. For example, the Executive Director issued an \$800 check to herself without obtaining a second signature on the check.
- Charged direct payroll expenditures based on estimated hours rather than actual hours worked.
- Did not maintain the appropriate accounting records to identify CSBG related expenditures.
- Hired the CSBG Program Manager's daughter to work on the CSBG program. The County contract prohibits the Agency hiring family members of the Agency's administrators to fill other positions funded by the program.
- Did not obtain criminal clearances for employees working with CSBG clients.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed our report with Haven House on November 6, 2007. In their attached response, Haven House management disagreed on the following recommendations. Specifically, Haven House stated that the \$800 check issued with one signature was an isolated incident and does not reflect their overall fiscal practice. However, five checks were issued without two signatures for the period reviewed.

Haven House also indicated that as of July 1, 2007, they billed the County based on actual hours worked using a new timecard tracking system. However, the timecards reviewed for July 2007 did not indicate actual hours worked each day by program.

In addition, Haven House indicated that the two related employees have different job functions and one does not supervise the other employee. However, the County contract prohibits the Agency hiring family members of the Agency's administrators to fill other positions funded by the program.

We notified DPSS of the results of our review. We also thank Haven House for their cooperation and assistance during this review.

Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Public Social Services
Sheila Halfon, Executive Director, Haven House, Inc.
Public Information Office
Audit Committee

**COMMUNITY SERVICES BLOCK GRANT PROGRAM
HAVEN HOUSE, INC.
CALENDAR YEAR 2007**

ELIGIBILITY

Objective

Determine whether Haven House, Inc. (Haven House or Agency) provided services to individuals that meet the eligibility requirements of the Community Services Block Grant (CSBG) program.

Verification

We selected six (67%) of nine program participants that received services during June and July 2007 and reviewed the case files for documentation to confirm the participants' eligibility for program services.

Results

Haven House maintained appropriate documentation to support the participants' eligibility to receive program services.

Recommendation

There are no recommendations for this section.

PROGRAM SERVICES

Objective

Determine whether Haven House provided the services in accordance with their County contract and CSBG guidelines.

Verification

We reviewed the documentation contained in the case files for six program participants that received services in June and July 2007.

Results

Haven House provided the services as outlined in the County Contract.

Recommendation

There are no recommendations for this section.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's July 2007 bank reconciliation.

Results

Haven House appropriately recorded and deposited cash receipts timely to the Agency's bank account. Also, Haven House performed monthly reconciliations. However, the Agency did not adequately segregate employees' duties over cash handling procedures. The bookkeeper reconciled the bank statements, prepared checks and performed other bookkeeping functions. In addition, Haven House did not obtain two signatures on five checks issued as required by the County contract. For example, the Executive Director issued an \$800 check to herself without obtaining a second signature on the check.

Recommendations

Haven House management:

- 1. Ensure two signatures are obtained on all checks.**
- 2. Ensure there is segregation of duties over cash handling procedures.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether non-payroll program expenditures are allowable under the County contract, properly documented and accurately billed.

We did not perform test work in this section as Haven House did not use CSBG funding for non-payroll expenditures.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Haven House's fixed assets and equipment purchased with CSBG funds are used for the CSBG program and are safeguarded.

We did not perform test work in this section as Haven House did not use CSBG funding to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the CSBG program. In addition, determine whether personnel files are maintained as required.

Verification

We traced payroll expenditures for two employees in July 2007 totaling \$3,165 to payroll records and time reports. We also interviewed staff and reviewed the personnel files for the staff assigned to the program.

Results

Haven House needs to improve their controls over payroll and personnel. Specifically:

- Haven House billed DPSS direct payroll expenditures based on time estimates developed annually by each employee and management. The County contract requires the Agency to bill based on actual hours worked on the program.
- Haven House's accounting records did not identify CSBG related payroll expenditures by program. We could not differentiate CSBG payroll expenditures from expenditures for other programs.
- Haven House hired their CSBG Program Manager's daughter to work on the CSBG program. The County contract prohibits the Agency hiring family members of the Agency's administrators to fill other positions funded by the program.
- Haven House did not obtain criminal clearances for employees working on the CSBG program as required.

Recommendations**Haven House management:**

3. Bill payroll expenditures based on actual hours worked.
4. Ensure accounting records are separated by funding program.
5. Reconcile CSBG Program costs to ensure costs billed to DPSS were incurred by the CSBG Program and refund any amounts overbilled.
6. Ensure the Agency does not employ immediate family members of Haven House's administrators or supervisors.
7. Obtain criminal clearances for all employees.

COST ALLOCATION PLAN**Objective**

Determine whether Haven House's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

We did not perform test work in this section as Haven House did not allocate non-payroll costs to the CSBG Program.

CLOSE-OUT REVIEW**Objective**

Determine whether Haven House's final close-out invoice for calendar year 2006 reconciled to the Agency's financial accounting records.

Verification

We traced Haven House's general ledger to the Agency's final close-out invoice. We also reviewed a sample of expenditures incurred in November and December 2006.

Results

Haven House invoiced and received \$38,828 in 2006. However, Haven House did not retain the appropriate documentation to support their close-out invoice. The County contract requires the Agency to retain all records related to the program for three years from the termination of the contract.

Recommendation

8. Haven House management ensure staff comply with the records retention requirements in the County contract.



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November 15, 2007

J. Tyler McCauley
Los Angeles County Auditor-Controller
500 W. Temple, Room 525
Los Angeles, CA 90012

Dear Mr. McCauley:

We have reviewed the report issued by your department and do not agree entirely with the findings and recommendations contained in the report. On the issues with which we agree, we are submitting a corrective action plan that details our efforts to implement the recommendations in the report. The following is our response to each of the eight recommendations:

Cash/Revenues- Recommendation 1 and 2

1) The Haven House policy is to have 2 signatures on all checks issued. The example of one check issued with one signature was an isolated incident and does not reflect our overall fiscal practice.

2) Haven House has reviewed our cash handling operations to ensure there is proper segregation. The bookkeeper will receive monthly bank statements, write checks and perform other bookkeeping functions. Contracts Liaison staff will reconcile the bank statements and this record will be reviewed by the Human Resources staff. This change was established in October 2007.

Payroll and Personnel- Recommendations 3 to 7:

3) Haven House bills the County based on actual hours worked. The Haven House receives funding from several public and private sources. Haven House adopted a new timecard system to track each hour our employee work as of July 1, 2007. This hourly timecard allows management to track the exact time each staff person has worked and therefore the time spent with CSBG clients.

4) As of July 1, 2007 the Haven House accounting records separate by funding programs. This was explained several times during audit review.

5) Haven House manages several public contracts and private grants and conducts an annual audit of our financial records. Haven House does not anticipate any fiscal issues such as overbilled cost.

6) Haven House maintains a personnel/employee handbook which addresses nepotism in the workplace. Haven House does have two employees who are related, one does not supervise the other and both have different job functions.


7) Haven House agrees with this recommendation and is acting to require criminal clearance for all new employees.

Closeout Review- 1 Recommendation

8) Haven House currently maintains records of all Haven House County contracts. Haven House management staff will ensure all records related to County contract will be retained for at least 4 years.

Please call me if you have any questions at 626 564 8880.

Sincerely,



Sheila Halfon,
Executive Director
Haven House